NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing and custodial activities of the U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government. The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity.

The consolidated financial statements include the accounts of all funds under DOL control. All interfund balances and transactions have been eliminated. The consolidated financial statements also contain Federal employee pension and other retirement benefit costs paid by the Office of Personnel Management (OPM) and imputed to DOL. The consolidated financial statements do not include the effect of any other centrally administered assets and liabilities related to the Federal government as a whole, which may in part be attributable to DOL.

DOL operates through the execution of its congressionally approved budget primarily under three of the major budget functions established by Congress in the Budget and Impoundment Control Act of 1974, *education, training, employment and social services, health (occupational health and safety)* and *income security*. DOL's budget consists of annual, multi-year and no-year appropriations covering salaries and expenses and various program and trust fund activities. Appropriations are used to conduct operations in five major Federal program areas.

1. Major programs

DOL conducts budget activities under five major Federal programs. The five major programs are shown below. The gross and net operating costs of each program are presented in the Statement of Net Cost.

- *Income maintenance*
- *Employment and training*
- *Labor, employment and pension standards*
- *Worker safety and health*
- *Statistics*

2. Suborganizations

DOL's financial activities are administered through eight suborganizations representing the Department's primary program agencies and responsibility centers. DOL's suborganizations are shown below. The full and net operating costs of each suborganization are presented in Note 15 to these financial statements.

- *Employment and Training Administration (ETA)*
- *Employment Standards Administration (ESA)*
- *Occupational Safety and Health Administration (OSHA)*
- *Bureau of Labor Statistics (BLS)*
- *Mine Safety and Health Administration (MSHA)*
- *Pension and Welfare Benefits Administration (PWBA)*
- *Veterans' Employment and Training (VETS)*
- *Other Departmental Programs*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure

DOL's financial activities are accounted for by appropriation, utilizing individual funds within three separate fund types. A discussion of these fund types and the individual funds comprising each follows.

- *Trust fund type*

The Unemployment Trust Fund was established to receive, hold, invest and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by state employment security agencies and transferred to the Fund, and the unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Longshore and Harbor Workers' Compensation Act Trust Fund provides medical benefits, compensation for lost wages and rehabilitation services for job related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmens' Compensation Act Trust Fund provides compensation and medical payments to District of Columbia employees for work related injuries or death which occurred prior to July 26, 1982.

The Black Lung Disability Trust Fund provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors.

The Hazardous Substance Response Fund provides for clean up of hazardous substance emergencies and abandoned hazardous waste sites.

Gifts and Bequests uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

- *Appropriated (general) fund type*

Salaries and Expenses include appropriated funds which are used for departmental administration and other activities in carrying out the missions and functions of the Department, except where specifically provided for from other funds of the Department.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, currently authorized by the Job Training Partnership Act.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

- *Appropriated (general) fund type - continued*

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible workers and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and associated administrative costs. The Fund continues to process benefit overpayment refunds for the terminated EUC program.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund, to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work related occupational disease and beneficiaries of employees whose death is attributable to a job related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

- *Revolving fund type*

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus and offices for which centralized services are provided, at rates which return the full cost of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

4. Inter-Departmental relationships

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of two of the largest funds within the reporting entity, the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL's Employment and Training Administration (ETA) and Employment Standards Administration (ESA), respectively, are responsible for the administrative oversight and policy direction for the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. Through agreement with Treasury, DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund for the preparation of financial statements prescribed under Section 303(b) of the Chief Financial Officers (CFO) Act of 1990.

B. Basis of Accounting and Presentation

1. Basis of accounting

Established under the authority of the CFO Act of 1990, the Federal Accounting Standards Advisory Board (FASAB) recommends Federal accounting standards to the Secretary of the Treasury, the Director of OMB and the General Accounting Office's (GAO) Comptroller General, co-principals of the FASAB. Specific standards agreed upon by the three principals are concurrently issued by OMB and GAO.

On October 19, 1999 the Council of the American Institute of Certified Public Accountants (AICPA) recognized the FASAB as the body designated to establish generally accepted accounting principles (GAAP) for Federal governmental entities under Rule 203, "Accounting Principles," of the AICPA's *Code of Professional Conduct.*

DOL prepared these principal financial statements in accordance with generally accepted accounting principles, under the following hierarchy:

- FASAB accounting principles, standards and requirements agreed to by the co-principals and published by OMB and GAO;
- interpretations related to the standards issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards;"
- form and content requirements in OMB Bulletin 97-01 and
- accounting principles published by authoritative standard setting bodies and other authoritative sources, in the absence of other guidance in the first three parts of this hierarchy, and if the use of such accounting standards improves the meaningfulness of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting and Presentation - Continued

2. Basis of presentation

The consolidated financial statements have been prepared from the books and records of DOL, in accordance with the form and content requirements of OMB Bulletin 97-01, as amended, and DOL's accounting policies, as summarized in Note 1. These statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

Amendments to OMB Bulletin 97-01, which DOL adopted for 1999, required changes to the classification of assets and liabilities on the balance sheet, and the addition of certain Required Supplemental Information (RSI), as discussed below.

- Assets previously classified as entity and non-entity, are combined on the face of the balance sheet. These assets are disaggregated between entity and non-entity in the notes to the financial statements, based upon whether or not DOL has the authority to use the assets in its operations. (See Notes 1-H and 7.)

- Liabilities previously classified as covered by budgetary resources and not covered by budgetary resources, based upon whether or not budget authority or other resources have been made available to cover these liabilities, are combined on the face of the balance sheet. (See Note 1-I). Liabilities not covered by budgetary resources are disaggregated in Note 12.

- Information on deferred maintenance is presented as RSI in 1999.

- Amounts for intra-governmental assets, liabilities, intra-governmental exchange revenues and the related costs to generate these revenues, and intra-governmental non-exchange revenues are itemized by trading partner (agency) as RSI in 1999.

C. Funds with U.S. Treasury

DOL’s cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2.)

D. Investments

DOL administers funds which are invested by Treasury in securities of the U.S. government. Funds held in the Unemployment Trust Fund are invested by Treasury in marketable and non-marketable Treasury securities. Investments are stated at amortized cost. Discounts and premiums are amortized using the effective interest method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Investments - Continued

Funds held in the Panama Canal Commission Compensation Fund, the Longshore and Harbor Workers' Trust Fund, the District of Columbia Trust Fund and the Backwage Restitution Fund are also invested by Treasury in marketable Treasury securities. These investments are stated at amortized cost. Discounts and premiums are amortized using the straight-line method, which approximates the effective interest method.

The majority of DOL's investments are in non-marketable special issue U.S. Treasury securities, redeemable on demand at their maturity value, which is equivalent to their carrying value in the Consolidated Balance Sheet. Special issues may be bought or sold only by Federal government agencies and trust funds. No secondary market exists for these instruments; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3.)

E. Accounts Receivable, Net of Allowance

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance (UI) benefits to eligible Federal workers (UCFE) and ex-service members (UCX). DOL records as accounts receivable amounts due from the responsible Federal agencies for unreimbursed UCFE and UCX benefits.

DOL's Federal Employees' Compensation Act Special Benefit Fund provides workers' compensation benefits (FECA benefits) to eligible Federal workers on behalf of other Federal agencies. DOL records as accounts receivable amounts due from the responsible Federal agencies for unreimbursed FECA benefits.

State unemployment taxes due from state employers and UI benefit overpayments paid to individuals determined ineligible to receive benefits are recorded by DOL as accounts receivable. Also included as benefit overpayments receivable are Black Lung Disability, Federal Employees' Compensation, Longshore and Harbor Workers' and District of Columbia benefit overpayments made to individuals who were determined to be ineligible.

DOL also records as accounts receivable amounts due for fines and penalties levied against employers by OSHA, MSHA, ESA and PWBA, amounts due for backwages levied against employers by ESA and amounts due from ETA's grantees and contractors for disallowed grant costs.

The amounts due for receivables are stated net of an allowance for uncollectible accounts. The allowance is estimated based on past collection experience and an analysis of outstanding accounts receivable balances at year end. (See Note 4.)

F. Advances

DOL makes advances to state employment security agencies and to grantees and contractors to provide for future DOL program expenditures. These payments are recorded as an asset, which is reduced when actual expenditures or estimates of unreported expenditures are recorded by DOL. (See Note 5.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Property, Plant and Equipment, Net of Depreciation

The majority of DOL's property, plant and equipment is held by Job Corps centers owned and operated by DOL through a network of contractors. DOL also maintains a departmental property system which accounts for capital equipment used by DOL management. Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred.

Effective in 1996, plant and equipment and internally developed software and systems costs, including hardware, with a cost greater than $25,000 ($5,000 for the Working Capital Fund) and a useful life of 2 or more years are capitalized and depreciated. Plant and equipment and internally developed software and systems costing less than $25,000 ($5,000 for the Working Capital Fund) or having a useful life of less than 2 years, are charged to expense at the time of purchase. Previously plant and equipment with a cost greater than $5,000 and a useful life of 2 or more years were capitalized and depreciated. Effective in 1998, no internally developed software is capitalized other than that of the Working Capital Fund.

Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line amortization method. DOL has no operating leases which extend for a period of more than one year.

Job Corps center construction costs are capitalized as construction-in-progress until completed and are then classified as structures or facilities and depreciated over their useful lives.

Plant and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation. The table presented below shows the depreciation periods used for the major classes of DOL plant and equipment. (See Note 6.)

	Years
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

DOL grantees have acquired real and tangible property with Federal grant funds in which DOL has a reversionary interest when the property is disposed of or no longer used for its authorized purpose. DOL is entitled to a pro rata share of the proceeds from sale of the property or a pro rata share of the property's fair market value, if the property is retained by the grantee but no longer used for DOL purposes. The value of DOL's reversionary interest in real and tangible property acquired with Federal grant funds can not be determined until the grantee's intention to sell or convert the property is known.

H. Non-Entity Assets

Assets in the possession of DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for DOL agencies involved in the assessment, collection and transfer to the U.S. Treasury of fines and penalties for regulatory violations. (See Note 7.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Liabilities

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources. Liabilities are classified as covered by budgetary resources if budgetary resources are available for consumption, regardless of whether the available resources have been obligated. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available for consumption. These classifications differ from budgetary reporting , which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 12 and 13.)

J. Advances from U.S. Treasury

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund, in the event fund resources are not adequate to meet fund obligations. Spending authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest at a rate determined by the Secretary of the Treasury to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances at September 30, 1999 bear interest rates ranging from 5.625% to 13.875%. Amounts in the trust fund shall be available, as provided by appropriation acts, for the repayment of and the payment of interest on, these repayable advances. Interest and principal are payable to the general fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8.)

K. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. At year end, leave balances are revalued to reflect current wages. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of nonvested leave are expensed as taken.

L. Accrued Benefits

The financial statements include a liability for unemployment, disability and workers' compensation benefits payable under the provisions of the Social Security Act, the Black Lung Benefit Act and the Federal Employees' Compensation Act. Unemployment, disability and workers' compensation benefits are paid from designated funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Accrued Benefits - Continued

Within each program, DOL recognizes a liability for certain unpaid benefits, as discussed below: (See Note 9.)

1. Unemployment Trust Fund

The Unemployment Trust Fund, established under the authority of Section 904 of the Social Security Act of 1935, as amended, provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls.

Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. DOL recognizes a liability for unemployment benefits to the extent of unpaid benefits applicable to the current period. DOL recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

2. Black Lung Disability Trust Fund

The Black Lung Disability Trust Fund, established under the authority of the Black Lung Benefit Act, provides for compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

3. Federal Employees’ Compensation Act Special Benefit Fund

The Federal Employees' Compensation Act Special Benefit Fund, established under the authority of the Federal Employees' Compensation Act (FECA), provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. A liability for FECA benefits payable by the Special Benefit Fund to the employees of other Federal agencies is accrued to the extent of unpaid benefits applicable to the current period.

The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. DOL recognizes a liability for 10(h) payments to the extent of unpaid benefits applicable to the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Future Workers' Compensation Benefits

The financial statements include future workers' compensation (FECA) benefits payable by DOL's Federal Employees' Compensation Act Special Benefit Fund for FECA benefits not chargeable to other Federal agencies and by DOL for its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps. The liability includes the expected payments for death, disability, medical and other approved costs and is determined using the paid-loss extrapolation method. This methodology uses historical benefit payment patterns of a specific incurred period to yield projected annual benefit payments. Thirteen compensation payments were assumed to be made per year, for 37 years. The methodology provides for the effects of inflation by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) to the calculation of projected future benefits. These factors were also used to adjust the methodology's historical payments to current year constant dollars.

The compensation COLAs and CPIMs used in the projections are shown below.

FY	COLA	CPIM
1989	4.47%	6.98%
1990	4.43%	8.40%
1991	5.03%	9.36%
1992	5.00%	7.96%
1993	2.83%	6.61%
1994	2.77%	5.27%
1995	2.57%	4.72%
1996	2.63%	4.00%
1997	2.77%	3.11%
1998	2.70%	2.76%
1999	1.53%	3.51%
2000	1.83%	3.66%
2001	2.33%	3.99%
2002	2.40%	4.02%
2003	2.43%	4.08%
2004+	2.50%	4.08%

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. Interest rate assumptions were 5.50% in years 2000 and 2001, 5.55% in year 2002 and 5.60% in year 2003 and thereafter. (See Note 10.)

N. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During 1999, DOL's contributions to the FEHBP and FEGLIP were $41.2 and $1.5 million, respectively. These contributions are recognized as current operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.00% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 8.51% of the employee gross earnings to the CSRS Retirement and Disability Fund.

For employees participating in FERS, DOL withholds 0.8% of gross earnings, and matches the withholding with a 10.7% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to FICA withholdings. DOL makes matching contributions to FICA, recognized as operating expenses. DOL's contributions were $37.9 million during 1999.

On April 1, 1987, the Federal government initiated the Thrift Savings Plan (TSP), a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to 5% of their gross pay to the TSP, but there is no departmental matching contribution. FERS participants may contribute up to 10% of their gross pay to the TSP. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches 100% of the first 3% contributed and 50% of the next 2% contributed. DOL contributions to the TSP are recognized as current operating expenses. The maximum amount that either FERS or CSRS employees may contribute to the TSP in a calendar year is $10,000. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period. The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements. The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized as non-exchange revenue an imputed financing source equal to the excess amount. DOL does not report in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 14.)

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM, and is offset by DOL through recognition of an imputed financing source. Using cost factors supplied by OPM, DOL recorded ORB expense and imputed financing sources of $39.7 million in 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Net Position

DOL's net position at September 30, 1999, consisted of the following:

1. Unexpended appropriations

Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances and undelivered orders of DOL's appropriated funds. Multi-year appropriations remain available to DOL for obligation in future periods. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed, five years after the appropriations expire. (See Note 13).

2. Cumulative results of operations

Cumulative results of operations at September 30, 1999, include the accumulated difference between expenses consuming budgetary resources and financing sources providing budgetary resources during the current and prior fiscal years; DOL's investment in capitalized assets, which increases as capital assets are acquired and decreases as capital assets are depreciated or disposed of; and the excess of certain liabilities not consuming budgetary resources, net of certain assets not providing budgetary resources, whose liquidation will require obligation of funds and may require funding from future Congressional appropriations or other budgetary resources . (See Note 13).

R. Net Cost of Operations

Federal cost accounting standards require DOL to report operating costs by program activity and responsibility segment. Full costs include all direct and indirect costs consumed by a program or responsibility segment. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost.

1. Operating cost

The full and net operating costs of DOL's major programs are presented in the Consolidated Statement of Net Cost. Full program costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program, including employee pension and other retirement benefit costs paid by the Office of Personnel Management and imputed to DOL. Approximately 99.9% of DOL's full operating costs were attributed to major programs in 1999. Indirect costs not assigned to a major program comprised the remaining .1%.

DOL's major program costs are disaggregated by suborganization in Note 15. These suborganizations comprise the Department's primary program agencies and responsibility segments. Note 15 also presents DOL's net operating costs by the eleven outcome goals adopted in the Department's Annual Performance Plan for FY 1999, submitted under the requirements of the Government Performance and Review Act (GPRA). Over 99% of DOL's net operating costs were directly assigned to these outcome goals and suborganizations. The remaining costs were allocated, based on methodologies consistent with the composition of the allocable cost. (See Note 15.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R. Net Cost of Operations - Continued

2. Earned revenue

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements due to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements due to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees.

S. Net Financing Sources

Financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include non-exchange revenue, appropriations used, imputed financing and transfers, as discussed below:

1. Non-exchange revenue

Non-exchange revenues arise from the Federal government's power to demand payments from and receive donations from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest income from investments, as discussed below:

- *Employer taxes*

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to the receiving entity. Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits. Excise taxes are collected from coal mine operators based on the sale of coal. These excise taxes are collected by the Internal Revenue Service and transferred to the Black Lung Disability Trust Fund. (See Note 16.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

S. Net Financing Sources - Continued

1. Non-exchange revenue - continued

- *Investment interest*

The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund (Longshore and Harbor Workers' Trust Fund), District of Columbia Workmen's Compensation Trust Fund (District of Columbia Trust Fund) and Panama Canal Commission Compensation Fund receive interest on fund investments. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned. (See Note 16.)

- *Assessments*

The Longshore and Harbor Workers' Trust Fund and District of Columbia Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when due. (See Note 16.)

- *Reimbursement of unemployment benefits*

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to their employees. These reimbursements are recognized as other non-exchange revenue when due. (See Note 16.)

2. Appropriations used

DOL receives financing sources to support its operations through congressional appropriations. A financing source, appropriations used, is recognized to the extent these appropriated funds have been consumed. Appropriations are consumed through the recognition of accrued expenses for which budgetary resources have been obligated. Accrued expenses not covered by budgetary resources do not consume appropriated capital in the period recognized, and must be funded from future appropriations. The consumption of appropriations used to purchase capital items is recognized at the time of purchase.

3. Imputed financing

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by the Office of Personnel Management (OPM). (See Notes 1-O and 1-P.)

4. Transfers

Other financing sources recognized by DOL in 1999 include non-expenditure transfers from the Panama Canal Commission to the Employment Standards Administration Panama Canal Commission Compensation Fund, to provide for workers compensation benefits and from the Environmental Protection Agency to the Occupational Safety and Health Administration Hazardous Substance Response Fund to assist in the clean-up of hazardous substances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

S. Net Financing Sources - Continued

4. Transfers - continued

DOL also recognizes as an other financing source the transfer of property from the General Services Administration to the Employment and Training Administration (ETA) to be used in ETA job training programs.

The Working Capital Fund received a transfer into cumulative results of operations from various DOL general fund unexpended appropriation accounts. (See Note 17.)

T. Custodial Activities

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA and PWBA for regulatory violations, for ETA disallowed grant costs assessed against canceled appropriations and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. The source and disposition of these revenues are reported on the Statement of Custodial Activities. (See Note 19.)

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 1999 consisted of the following:

	Entity Assets			Non-entity	
(Dollars in thousands)	**Obligated**	**Unobligated**	**Total**	**Assets**	**Total**
Revolving funds	$ 12,644	$ 12,640	$ 25,284	$ -	$ 25,284
Trust funds	638	305,354	305,992	9	306,001
Appropriated funds	8,258,568	3,237,043	11,495,611	-	11,495,611
Other	-	-	-	49,337	49,337
	$ 8,271,850	$ 3,555,037	$ 11,826,887	$ 49,346	$ 11,876,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 3 - INVESTMENTS

Investments at September 30, 1999 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Non-marketable				
U.S. Treasury Certificates of Indebtedness				
6.375% maturing June 30, 2000	$ 1,559,548	$ -	$ 1,559,548	$ 1,559,548
Special issue U.S. Treasury Bonds				
6.500% maturing June 30, 2000	2,574,474	-	2,574,474	2,574,474
6.500% maturing June 30, 2003	21,000,000	-	21,000,000	21,000,000
6.750% maturing June 30, 2000	8,000,000	-	8,000,000	8,000,000
6.750% maturing June 30, 2001	21,000,000	-	21,000,000	21,000,000
6.750% maturing June 30, 2002	23,223,478	-	23,223,478	23,223,478
	77,357,500	-	77,357,500	77,357,500
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Notes				
5.500% to 7.875% various maturities	28,540	334	28,874	29,099
U.S. Treasury Bonds				
7.500% to 14.000% various maturities	50,836	9,508	60,344	61,061
	79,376	9,842	89,218	90,160
Longshore and Harbor Workers' Trust Fund				
Marketable				
U.S. Treasury Bills				
4.460% to 4.890% various maturities	53,671	(548)	53,123	53,123
District of Columbia Trust Fund				
Marketable				
U.S. Treasury Bills				
3.680% to 4.840% various maturities	3,325	(23)	3,302	3,302
Backwage Restitution Fund				
Marketable				
U.S. Treasury Bills				
4.530% to 5.600% various maturities	7,624	(39)	7,585	7,585
	$ 77,501,496	$ 9,232	$ 77,510,728	$ 77,511,670
Entity investments	$ 77,385,721	$ 9,271	$ 77,394,992	$ 77,395,934
Non-entity investments	115,775	(39)	115,736	115,736
	$ 77,501,496	$ 9,232	$ 77,510,728	$ 77,511,670

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 1999 consisted of the following:

(Dollars in thousands)	Gross Accounts Receivable	Allowance	Net Accounts Receivable
Entity intra-governmental assets			
Due from other Federal agencies for:			
UCFE and UCX benefits	$ 212,624	$ -	$ 212,624
Workers' compensation benefits	3,240,136	-	3,240,136
Interest from Treasury securities	1,275,171	-	1,275,171
Other	6,694	-	6,694
	4,734,625	-	4,734,625
Non-entity intra-governmental assets			
Interest from Treasury securities	1,781	-	1,781
	4,736,406	-	4,736,406
Entity assets			
State unemployment taxes	543,706	(413,910)	129,796
Due from reimbursable employers	319,875	(34,960)	284,915
Benefit overpayments	2,210,554	(2,037,015)	173,539
Interest	3,355	-	3,355
Other	7,885	(914)	6,971
	3,085,375	(2,486,799)	598,576
Non-entity assets			
Fines and penalties	97,150	(52,851)	44,299
Backwages	7,144	(221)	6,923
	104,294	(53,072)	51,222
	3,189,669	(2,539,871)	649,798
	$ 7,926,075	$ (2,539,871)	$ 5,386,204

Changes in the allowance for doubtful accounts during 1999 consisted of the following:

(Dollars in thousands)	Allowance September 30, 1998	Write-offs	Revenue Adjustment	Bad Debt	Allowance September 30, 1999
Entity assets					
State unemployment taxes	$ (382,213)	$ 244,420	$ (276,117)	$ -	$ (413,910)
Due from reimbursable employers	(23,720)	9,873	(21,113)	-	(34,960)
Benefit overpayments	(1,938,892)	104,665	-	(202,788)	(2,037,015)
Other	(908)	166	-	(172)	(914)
	(2,345,733)	359,124	(297,230)	(202,960)	(2,486,799)
Non-entity assets					
Fines and penalties	(52,873)	130,282	(130,260)	-	(52,851)
Backwages	(633)	412	-	-	(221)
	(53,506)	130,694	(130,260)	-	(53,072)
	$ (2,399,239)	$ 489,818	$ (427,490)	$ (202,960)	$ (2,539,871)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 5 - ADVANCES

Advances at September 30, 1999 consisted of the following :

(Dollars in thousands)	1999
Advances to states for UI benefit payments	$ 346,644
Advances to grantees and contractors to finance future DOL program expenditures	8,893
Other	8,587
	$ 364,124

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION

Property, plant and equipment at September 30, 1999 consisted of the following :

(Dollars in thousands)	Cost or Basis	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 614,088	$ (267,340)	$ 346,748
Improvements to leased facilities	262,041	(117,087)	144,954
	876,129	(384,427)	491,702
Furniture and equipment			
Equipment held by contractors	187,174	(174,517)	12,657
Furniture and equipment	60,623	(30,228)	30,395
	247,797	(204,745)	43,052
ADP software	55,373	(31,873)	23,500
Construction-in-progress	73,219	-	73,219
Land	58,808	-	58,808
	$ 1,311,326	$ (621,045)	$ 690,281

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 1999:

(Dollars in thousands)	1999
Intra-governmental	
Funds with U.S. Treasury	$ 49,346
Investments	115,736
Accounts receivable, net of allowance	1,781
	166,863
Accounts receivable, net of allowance	51,222
	$ 218,085

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 1999 consisted of the following:

(Dollars in thousands)	Balance at September 30, 1998	Net Borrowing	Balance at September 30, 1999
Intra-governmental			
Borrowing from the Treasury	$ 5,856,557	$ 402,000	$ 6,258,557
	$ 5,856,557	$ 402,000	$ 6,258,557

These repayable advances represent $6.259 billion of the fund's $6.256 billion net position deficit at September 30, 1999. Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund.

NOTE 9 - ACCRUED BENEFITS

Accrued benefits at September 30, 1999 consisted of the following:

(Dollars in thousands)	1999
State regular and extended unemployment benefits payable	$ 304,745
Federal extended unemployment benefits payable	17,788
Federal emergency unemployment benefits payable	11,077
Federal employees' unemployment benefits payable	13,517
Federal employees' unemployment benefits for existing claims due in the subsequent year	73,406
Disability benefits payable to Federal employees and 10(h) benefits payable	104,293
Disability benefits payable to longshore and harbor workers	340
Disability payments payable to employees of the District of Columbia	31
Disability benefits payable to coal mine workers	32,705
	$ 557,902

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL’s liability for future workers’ compensation benefits at September 30, 1999 consisted of the following:

(Dollars in thousands)	**1999**
Projected gross liability of the Federal government for future FECA benefits	$ 18,078,558
Less liabilities attributed to other agencies:	
U.S. Postal Service	(4,873,454)
Department of Navy	(2,411,211)
Department of Army	(1,515,120)
Department of Veterans Affairs	(1,220,390)
Department of Air Force	(1,214,836)
Department of Transportation	(1,108,951)
Tennessee Valley Authority	(609,085)
Department of Treasury	(746,108)
Department of Agriculture	(582,116)
Department of Justice	(681,897)
Department of Interior	(453,790)
Department of Defense, Other	(682,108)
Department of Health and Human Services	(179,527)
Social Security Administration	(185,234)
General Services Administration	(167,943)
Department of Commerce	(109,064)
Department of Energy	(66,445)
Department of State	(60,874)
Department of Housing & Urban Development	(61,884)
Department of Education	(8,582)
National Air and Space Administration	(57,371)
Environmental Protection Agency	(29,813)
Federal Emergency Management Association	(11,789)
Small Business Administration	(16,585)
Office of Personnel Management	(6,558)
National Science Foundation	(1,245)
Nuclear Regulatory Commission	(3,885)
Agency for International Development	(37,873)
Other	(361,317)
	(17,465,055)
	$ 613,503
Projected liability of the Department of Labor for future FECA benefits	
FECA benefits not chargeable to other Federal agencies payable by DOL’s Federal Employees’ Compensation Act Special Benefit Fund	$ 412,477
FECA benefits due to eligible workers of DOL and Job Corps enrollees	120,657
FECA benefits due to eligible workers of the Panama Canal Commission	80,369
	$ 613,503

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 1999 consisted of the following current liabilities:

(Dollars in thousands)	1999
Intra-governmental	
Accrued payroll and benefits	$ 8,849
Advance from U.S. General Services Administration	964
Unearned FECA assessments	19,934
Non-entity receipts due to U.S. Treasury	44,298
Amounts held for the Railroad Retirement Board	109,941
Total intra-governmental	183,986
Accrued payroll and benefits	48,255
Due to Backwage recipients	44,159
Unearned assessment revenue	37,066
Deposit and clearing accounts	19,686
Readjustment allowances and other Job Corps liabilities	39,222
Other advances	36
	188,424
	$ 372,410

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 1999 consisted of the following:

(Dollars in thousands)	1999
Intra-governmental	
Advances from U.S. Treasury	$ 6,258,557
Accrued benefits	12,622
Future workers' compensation benefits	122,155
Accrued annual leave	80,056
Readjustment allowances and other Job Corps liabilities	39,222
	254,055
	$ 6,512,612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 13 - NET POSITION

DOL's net position by fund type at September 30, 1999 consisted of the following:

(Dollars in thousands)	Revolving Fund	Trust Funds	Appropriated Funds	Eliminations	Total
Unexpended appropriations					
Unobligated balance available	$ -	$ -	$ 1,520,190	$ -	$ 1,520,190
Unobligated balance unavailable	-	-	1,739,441	-	1,739,441
Undelivered orders	-	-	8,954,681	-	8,954,681
Total unexpended appropriations	-	-	12,214,312	-	12,214,312
Cumulative results of operations					
Unemployment Trust Fund					
Federal accounts	-	26,619,440	-	-	26,619,440
State accounts	-	49,837,895	-	-	49,837,895
	-	76,457,335	-	-	76,457,335
Longshore and Harbor Workers' Trust Fund	-	52,196	-	-	52,196
District of Columbia Trust Fund	-	3,351	-	-	3,351
Black Lung Disability Trust Fund	-	20,083	-	-	20,083
Other	13,473	9,304	78,871	-	101,648
	13,473	76,542,269	78,871	-	76,634,613
Liabilities not consuming budgetary resources:					
Future workers' compensation benefits	(2,002)	-	(613,503)	2,002	(613,503)
Advances from U.S. Treasury	-	(6,258,557)	-	-	(6,258,557)
Accrued benefits	-	(106,111)	-	-	(106,111)
Accrued annual leave	(3,666)	-	(80,434)	-	(84,100)
Other	(422)	(37,066)	(39,644)	844	(76,288)
	(6,090)	(6,401,734)	(733,581)	2,846	(7,138,559)
Assets not providing budgetary resources:					
Due from Federal agencies for:					
UCFE and UCX benefits	-	179,744	-	-	179,744
Workers' compensation benefits	-	-	3,125,426	(422)	3,125,004
Due from reimbursable employers for unemployment compensation	-	284,915	-	-	284,915
Net state unemployment taxes receivable	-	129,796	-	-	129,796
Net benefit overpayment receivable	-	154,329	19,210	-	173,539
Interest receivable	-	1,275,724	2,802	-	1,278,526
Other	2,543	2,400	12,626	(2,424)	15,145
	2,543	2,026,908	3,160,064	(2,846)	5,186,669
Net investment in capitalized assets	16,265	10	674,006	-	690,281
Total cumulative results of operations	26,191	72,167,453	3,179,360	-	75,373,004
	$ 26,191	$ 72,167,453	$ 15,393,672	$ -	$ 87,587,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 14 - PENSION EXPENSE

Pension expense in 1999 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 40,634	$ 39,977	$ 80,611
Federal Employees' Retirement System	40,948	(930)	40,018
Thrift Savings Plan	15,640	-	15,640
	$ 97,222	$ 39,047	$ 136,269

NOTE 15 - PROGRAM COST

Schedules A, B and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost.

Cost and revenue by suborganization for the eleven outcome goals adopted in the Department’s Annual Performance Plan for FY 1999, submitted under the requirements of the Government Performance and Review Act (GPRA), are presented in schedule D.

Detailed cost and revenue information by budget function is presented in Schedule E and intra-governmental cost and revenue information by budget function is presented in Schedule F.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 15 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 1999 consisted of the following:

(Dollars in Thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 126,420	$ 560,438	$ -	$ -
With the public	23,740,653	2,670,856	-	-
Total cost	23,867,073	3,231,294	-	-
Less earned revenue	(450,248)	(1,950,575)	-	-
Net program cost	23,416,825	1,280,719	-	-
Employment and training				
Intra-governmental	57,306	-	-	-
With the public	6,071,510	-	-	-
Total cost	6,128,816	-	-	-
Less earned revenue	(758)	-	-	-
Net program cost	6,128,058	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	82,497	-	-
With the public	-	186,324	-	-
Total cost	-	268,821	-	-
Less earned revenue	-	(851)	-	-
Net program cost	-	267,970	-	-
Worker safety and health				
Intra-governmental	-	-	84,731	-
With the public	-	-	308,182	-
Total cost	-	-	392,913	-
Less earned revenue	-	-	(2,489)	-
Net program cost	-	-	390,424	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	144,402
With the public	-	-	-	276,555
Total cost	-	-	-	420,957
Less earned revenue	-	-	-	(19,101)
Net program cost	-	-	-	401,856
Cost not assigned to programs	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 29,544,883	$ 1,548,689	$ 390,424	$ 401,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

Mine Safety and Health Administration	Pension and Welfare Benefits Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ -	$ -	$ 12,929	$ (18,084)	$ 681,703
-	-	-	22,660	1,251	26,435,420
-	-	-	35,589	(16,833)	27,117,123
-	-	-	-	16,833	(2,383,990)
-	-	-	35,589	-	24,733,133
-	-	9,202	140	(27,960)	38,688
-	-	171,817	356	27,960	6,271,643
-	-	181,019	496	-	6,310,331
-	-	-	-	-	(758)
-	-	181,019	496	-	6,309,573
-	36,004	14	12,488	(31,347)	99,656
-	81,130	51	37,826	31,347	336,678
-	117,134	65	50,314	-	436,334
-	(3)	-	-	-	(854)
-	117,131	65	50,314	-	435,480
74,291	-	-	-	(36,347)	122,675
170,933	-	-	-	36,227	515,342
245,224	-	-	-	(120)	638,017
(211)	-	-	-	120	(2,580)
245,013	-	-	-	-	635,437
-	-	-	-	(15,363)	129,039
-	-	-	-	10,996	287,551
-	-	-	-	(4,367)	416,590
-	-	-	-	4,367	(14,734)
-	-	-	-	-	401,856
-	-	-	63,701	(5,523)	58,178
-	-	-	(24,300)	5,523	(18,777)
-	-	-	39,401	-	39,401
$ 245,013	$ 117,131	$ 181,084	$ 125,800	$ -	$ 32,554,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 15 - PROGRAM COST - Continued

B. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 1999 consisted of the following:

(Dollars in Thousands)	Employment Security	Training and Employment Programs	Eliminations	Total
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	$ 20,810,165	$ 39	$ -	$ 20,810,204
Grants	2,983,879	-	-	2,983,879
Interest	3,980	-	-	3,980
Other	68,772	22,988	(22,750)	69,010
Total cost	23,866,796	23,027	(22,750)	23,867,073
Less earned revenue	(472,998)	-	22,750	(450,248)
Net program cost	23,393,798	23,027	-	23,416,825
Employment and training				
Benefits	2,348	11,643	-	13,991
Grants	741,535	5,181,411	-	5,922,946
Other	21,436	170,443	-	191,879
Total cost	765,319	5,363,497	-	6,128,816
Less earned revenue	-	(758)	-	(758)
Net program cost	765,319	5,362,739	-	6,128,058
Net cost of operations	$ 24,159,117	$ 5,385,766	$ -	$ 29,544,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 15 - PROGRAM COSTS - Continued

C. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 1999 consisted of the following:

(Dollars in Thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 2,571,490	$ -	$ -	$ -	$ (1,566)	$ 2,569,924
Interest	515,016	-	-	-	-	515,016
Other	146,354	-	-	-	-	146,354
Total cost	3,232,860	-	-	-	(1,566)	3,231,294
Less earned revenue	(1,952,141)	-	-	-	1,566	(1,950,575)
Net program cost	1,280,719	-	-	-	-	1,280,719
Labor, employment and pension standards						
Benefits	-	8,766	17,814	3,206	-	29,786
Other	-	68,653	140,678	29,704	-	239,035
Total cost	-	77,419	158,492	32,910	-	268,821
Less earned revenue	-	-	(851)	-	-	(851)
Net program cost	-	77,419	157,641	32,910	-	267,970
Net cost of operations	$ 1,280,719	$ 77,419	$ 157,641	$ 32,910	$ -	$ 1,548,689

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 15 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Outcome Goal

Net cost by outcome goal for the year ended September 30, 1999 consisted of the following:

(Dollars in Thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
Increase employment, earnings and assistance	$ 4,076,003	$ -	$ -	$ -
Less earned revenue	(96)	-	-	-
Net program cost	4,075,907	-		
Assist youth in making transition to work	2,017,282	-	-	-
Less earned revenue	(526)	-	-	-
Net program cost	2,016,756	-	-	-
Provide information and tools about work	2,693,814	-	-	-
Less earned revenue	(7,370)	-	-	-
Net program cost	2,686,444	-	-	-
Provide information and analysis on the U.S. economy	-	-	-	420,957
Less earned revenue	-	-	-	(19,101)
Net program cost	-	-	-	401,856
Increase compliance with worker protection laws	-	175,026	-	-
Less earned revenue	-	(1,619)	-	-
Net program cost	-	173,407	-	-
Protect worker benefits	21,082,397	3,254,646	-	-
Less earned revenue	(442,858)	(1,949,129)	-	-
Net program cost	20,639,539	1,305,517	-	-
Provide worker retraining	125,491	-	-	-
Less earned revenue	(156)	-	-	-
Net program cost	125,335	-	-	-
Reduce workplace injuries, illnesses and fatalities	-	-	392,913	-
Less earned revenue	-	-	(2,489)	-
Net program cost	-	-	390,424	-
Foster equal opportunity workplaces	-	70,443	-	-
Less earned revenue	-	(678)	-	-
Net program cost	-	69,765	-	-
Support a greater balance between work and family	902	-	-	-
Less earned revenue	-	-	-	-
Net program cost	902	-	-	-
Reduce exploitation of child labor and address international labor standards issues	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
Cost not assigned to goals	-	-	-	-
Less earned revenue not attributed to goals	-	-	-	-
Net cost not assigned to goals	-	-	-	-
Net cost of operations	$ 29,544,883	$ 1,548,689	$ 390,424	$ 401,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

Mine Safety and Health Administration	Pension and Welfare Benefits Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ -	$ 162,986	$ 1,208	$ -	$ 4,240,197
-	-	-	-	-	(96)
-	-	162,986	1,208	-	4,240,101
-	-	-	-	-	2,017,282
-	-	-	-	-	(526)
-	-	-	-	-	2,016,756
-	-	-	1,675	(1,730)	2,693,759
-	-	-	-	1,730	(5,640)
-	-	-	1,675	-	2,688,119
-	-	-	-	(4,367)	416,590
-	-	-	-	4,367	(14,734)
-	-	-	-	-	401,856
-	76,817	-	3,965	-	255,808
-	(2)	-	-	-	(1,621)
-	76,815	-	3,965	-	254,187
-	40,317	-	38,795	(15,103)	24,401,052
-	(1)	-	-	15,103	(2,376,885)
-	40,316	-	38,795	-	22,024,167
-	-	-	-	-	125,491
-	-	-	-	-	(156)
-	-	-	-	-	125,335
245,224	-	-	-	(120)	638,017
(211)	-	-	-	120	(2,580)
245,013	-	-	-	-	635,437
-	-	18,098	16,297	-	104,838
-	-	-	-	-	(678)
-	-	18,098	16,297	-	104,160
-	-	-	3,577	-	4,479
-	-	-	-	-	-
-	-	-	3,577	-	4,479
-	-	-	24,744	-	24,744
-	-	-	-	-	-
-	-	-	24,744	-	24,744
-	-	-	59,839	(5,523)	54,316
-	-	-	(24,300)	5,523	(18,777)
-	-	-	35,539	-	35,539
$ 245,013	$ 117,131	$ 181,084	$ 125,800	$ -	$ 32,554,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 15 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost by Budget Function

Net cost by budget function for the year ended September 30, 1999 consisted of the following:

(Dollars in Thousands)	Natural Resources and Environment	Education, Training and Employment	Health
CROSSCUTTING PROGRAMS			
Income maintenance			
Intra-governmental	$ -	$ 48,677	$ -
With the public	-	161,671	-
Total cost	-	210,348	-
Less earned revenue	-	(2,935)	-
Net program cost	-	207,413	-
Employment and training			
Intra-governmental	-	38,516	-
With the public	-	5,530,022	-
Total cost	-	5,568,538	-
Less earned revenue	-	(758)	-
Net program cost	-	5,567,780	-
Labor, employment and pension standards			
Intra-governmental	-	75,245	-
With the public	-	262,744	-
Total cost	-	337,989	-
Less earned revenue	-	(851)	-
Net program cost	-	337,138	-
Worker safety and health			
Intra-governmental	-	8,258	114,417
With the public	489	29,363	485,490
Total cost	489	37,621	599,907
Less earned revenue	-	-	(2,580)
Net program cost	489	37,621	597,327
OTHER PROGRAMS			
Statistics			
Intra-governmental	-	129,039	-
With the public	-	287,551	-
Total cost	-	416,590	-
Less earned revenue	-	(14,734)	-
Net program cost	-	401,856	-
Cost not assigned to programs	-	58,142	-
Less earned revenue not attributed to programs	-	(18,777)	-
Net cost not assigned to programs	-	39,365	-
Net cost of operations	$ 489	$ 6,591,173	$ 597,327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

Income Security	General Government	Totals
$ 633,026	$ -	$ 681,703
26,273,749	-	26,435,420
26,906,775	-	27,117,123
(2,381,055)	-	(2,383,990)
24,525,720	-	24,733,133
172	-	38,688
741,621	-	6,271,643
741,793	-	6,310,331
-	-	(758)
741,793	-	6,309,573
24,411	-	99,656
73,934	-	336,678
98,345	-	436,334
(3)	-	(854)
98,342	-	435,480
-	-	122,675
-	-	515,342
-	-	638,017
-	-	(2,580)
-	-	635,437
-	-	129,039
-	-	287,551
-	-	416,590
-	-	(14,734)
-	-	401,856
-	36	58,178
-	-	(18,777)
-	36	39,401
$ 25,365,855	$ 36	$ 32,554,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 15 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)

Net intra-governmental cost by budget function for the year ended September 30, 1999 consisted of the following:

(Dollars in Thousands)	Education, Training and Employment	Health	Income Security	General Government	Total
CROSSCUTTING PROGRAMS					
Income maintenance					
Intra-governmental	$ 48,677	$ -	$ 633,026	$ -	$ 681,703
Less earned revenue	(566)	-	(2,379,276)	-	(2,379,842)
Net program cost	48,111	-	(1,746,250)	-	(1,698,139)
Employment and training					
Intra-governmental	38,516	-	172	-	38,688
Less earned revenue	(410)	-	-	-	(410)
Net program cost	38,106	-	172	-	38,278
Labor, employment and pension standards					
Intra-governmental	75,245	-	24,411	-	99,656
Less earned revenue	(59)	-	-	-	(59)
Net program cost	75,186	-	24,411	-	99,597
Worker safety and health					
Intra-governmental	8,258	114,417	-	-	122,675
Less earned revenue	-	(1,500)	-	-	(1,500)
Net program cost	8,258	112,917	-	-	121,175
OTHER PROGRAMS					
Statistics					
Intra-governmental	129,039	-	-	-	129,039
Less earned revenue	(5,397)	-	-	-	(5,397)
Net program cost	123,642	-	-	-	123,642
Cost not assigned to programs					
Intra-governmental	59,991	-	-	38	60,029
Less earned revenue not attributed to programs	(17,911)	-	-	-	(17,911)
Net cost not assigned to programs	42,080	-	-	38	42,118
Net cost of operations	$ 335,383	$ 112,917	$ (1,721,667)	$ 38	$ (1,273,329)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 1999 consisted of the following:

(Dollars in thousands)	1999
Employer taxes	
Unemployment Trust Fund	
Federal unemployment taxes	$ 6,468,956
State unemployment taxes	18,931,105
	25,400,061
Black Lung Disability Trust Fund excise taxes	595,509
	25,995,570
Investment interest	
Unemployment Trust Fund	4,890,144
Longshore and Harbor Workers' Trust Fund	1,459
District of Columbia Trust Fund	152
Panama Canal Commission Compensation Fund	5,953
	4,897,708
Non-Federal investment interest	2,899
	4,900,607
Assessments	
Longshore and Harbor Workers' Trust Fund	128,012
District of Columbia Trust Fund	10,180
Other	1,219
	139,411
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	961,498
	$ 31,997,086

NOTE 17 - TRANSFERS

Transfers from (to) other Federal agencies in 1999 consisted of the following:

(Dollars in thousands)	1999
Panama Canal Commission	$ 2,257
Environmental Protection Agency	650
General Services Administration	6,563
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	3,000
	12,470
General Services Administration	(9)
	$ 12,461

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 18 - RECONCILIATION TO THE BUDGET

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Consolidated Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 1999 is shown below.

(Dollars in millions)	Budgetary Resources	Obligations Incurred	Outlays
Consolidated Statement of Budgetary Resources	$ 116,634	$ 36,964	$ 33,387
Pension Benefit Guaranty Corporation reported separately	10,587	1,372	(665)
Unemployment and Black Lung Disability Trust Fund unobligated balances transferred to unavailable collections	(77,667)	-	-
DOL allocation accounts reported by other Federal agencies	227	161	152
Accruals not reported in the budget	1,808	369	-
Non-expenditure transfers for Veterans Employment and Training reported as offsetting collections and obligations in the budget	183	183	-
Eliminations made for Consolidated Financial Statements	3,499	3,499	-
Expired accounts	(488)	(117)	-
Other	14	(4)	3
Budget of the United States Government	$ 54,797	$ 42,427	$ 32,877

NOTE 19 - CUSTODIAL REVENUES

Custodial revenues in 1999 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections	Increase in Amounts to Be Collected	Total Revenues
Civil monetary penalties					
OSHA	$ 59,215	$ -	$ 59,215	$ 4,018	$ 63,233
MSHA	19,502	(97)	19,405	236	19,641
PWBA	13,071	-	13,071	271	13,342
ESA	11,305	-	11,305	1,587	12,892
	103,093	(97)	102,996	6,112	109,108
ETA disallowed grant costs	17,852	(12,158)	5,694	234	5,928
Other	3,310	(227)	3,083	-	3,083
	$ 124,255	$ (12,482)	$ 111,773	$ 6,346	$ 118,119

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 20 - DEDICATED COLLECTIONS

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 1999 is shown below:

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia	
Assets					
Intra-governmental					
Funds with U.S. Treasury	$ 282,264	$ 20,083	$ 299	$ 101	
Investments	77,357,500	-	53,123	3,302	
Accounts receivable, net					
Due from other Federal agencies					
For UCX and UCFE benefits	212,624	-	-	-	
Interest	1,274,150	-	-	-	
Total intra-governmental	79,126,538	20,083	53,422	3,403	
Accounts receivable, net					
State unemployment tax	129,796	-	-	-	
Due from reimbursable employers,	284,915	-	-	-	
Benefit overpayments	142,283	12,046	-	-	
Other	-	3,355	1,723	340	
Advances to states	346,644	-	-	-	
Total assets	$ 80,030,176	$ 35,484	$ 55,145	$ 3,743	
Liabilities					
Intra-governmental					
Accounts payable to ETA - SUIESO	$ 1,106,666	$ -	$ -	$ -	Advances
from U.S. Treasury	-	6,258,557	-	-	
Amounts held for the Railroad Retirement Board	109,941	-	-	-	
Total intra-governmental	1,216,607	6,258,557	-	-	
Accounts payable	-	-	570	-	
Accrued benefits	420,533	32,705	340	31	
Other	-	-	34,138	2,928	
Total liabilities	1,637,140	6,291,262	35,048	2,959	
Net position					
Cumulative results of operations	78,393,036	(6,255,778)	20,097	784	
Total liabilities and net position	$ 80,030,176	$ 35,484	$ 55,145	$ 3,743	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 1999

NOTE 20 - DEDICATED COLLECTIONS - Continued

The net results of operations of each trust fund for the year ended September 30, 1999 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers'	District of Columbia
Cost, net of earned revenues				
Benefits	$ (20,806,988)	$ (433,494)	$ (129,580)	$ (11,776)
Interest	(3,980)	(515,016)	-	-
Administrative	(34,117)	(67)	-	-
	(20,845,085)	(948,577)	(129,580)	(11,776)
Earned revenue	405,111	-	-	-
	(20,439,974)	(948,577)	(129,580)	(11,776)
Net financing sources				
Taxes	25,400,061	595,509	-	-
Interest	4,890,144	2,899	1,459	152
Assessments	961,498	-	128,012	10,180
Transfers-in				
DOL entities	251,975	-	-	-
Transfers-out				
DOL entities	(3,710,767)	(50,681)	(1,924)	-
	27,792,911	547,727	127,547	10,332
Net results of operations	7,352,937	(400,850)	(2,033)	(1,444)
Net position, beginning of period	71,040,099	(5,854,928)	22,130	2,228
Net position, end of period	$ 78,393,036	$ (6,255,778)	$ 20,097	$ 784

NOTE 21 - CONTINGENCIES

The Black Lung Disability Trust Fund (BLDTF) receives excise taxes on all coal mined in the United States. In 1998, the United States District Court for the Eastern District of Virginia held that the excise tax on exported coal, as applied to the plaintiff coal companies in this case, violated the constitutional prohibition against taxes on exports, and ordered the government to refund excise taxes previously collected from plaintiffs on exported coal. DOL management does not believe that the potential liability in this case will materially affect the BLDTF's financial condition.